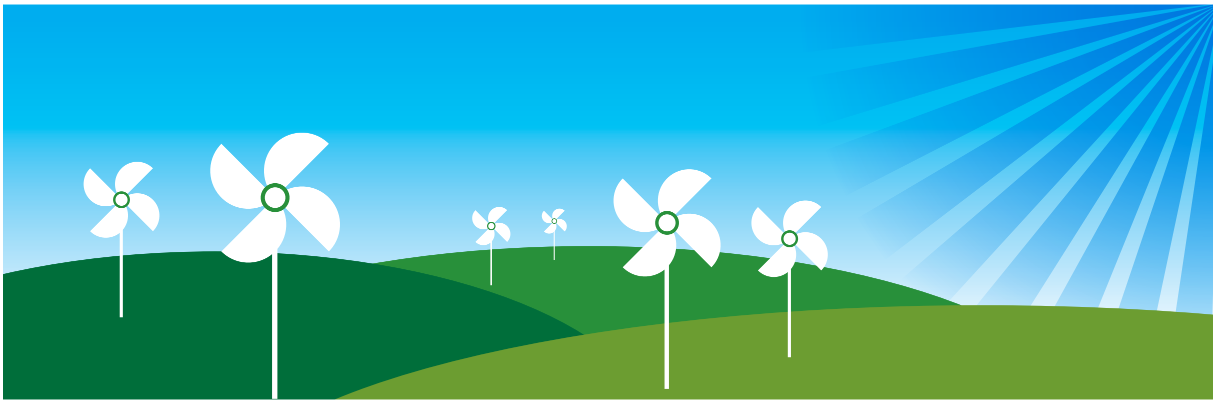
Minding the Eco gap

The disparity between consumer beliefs and marketers' presumptions

CCB fastMAP

GYRO



It's the big topic of the day and one that will most certainly continue to dominate every aspect of our lives for years, if not decades, to come.

We are, of course, talking about the environment: from the way we shop to the products we buy to the way we heat our homes to how we get from A to B.

While the environmental movement has gained momentum so too did the need for companies and brands to act (or at least to talk about tackling a few of the issues). Companies were quick to realise that talking about environmental factors could have a positive influence on consumer buying decisions. Unfortunately that's all it was – just talk.

Today things have improved immeasurably. Companies and individuals are approaching environmental challenges with newly found determination. Gone are the heated debates on whether mankind is to blame. Instead, we are now agreed that we, and we alone, are the cause of the crisis. Be it through our actions or our failure to act quickly enough, we are ultimately responsible for reversing the detrimental impact we have had on the planet.

And yet at a time when a general consensus has been reached, perversely, a wide gap has emerged on green issues between what marketers are communicating and what consumers actually care about. A fact that is surprising considering the increasing levels of media coverage and the growing interest in green issues.

To shed some light on this, Gyro International and CCB *fast*MAP conducted research to discover how wide these differences in opinion are and present the case that marketers can amend their strategies in green issues accordingly.

> Keeping a finger on the pulse of general opinion is vital to marketers wanting to stay alert to any significant changes

Unique findings. Independently delivered.

Much has been written about green issues. Most of it regurgitated and virtually all of it biased towards either the anti- or pro-environmental movement.

This report is unique in that it presents original research on green issues surrounding the marketing of products, services and brands. The document identifies the gap between the opinions and beliefs of consumers against those of marketing managers. It is not intended to take sides or comment on what is the right or wrong course of action. Instead it discusses the possible reasons for the gaps between opinions identified.

A finger on the pulse

Keeping a finger on the pulse of general opinion is vital to marketers wanting to stay alert to any significant changes or opportunities that arise. There's also a need to stay in tune with a wide cross section of the populace, including those groups that will one day have more influence on environmental issues, such as the up and coming younger generation. It's these individuals who will shape attitudes to green issues over the next 30 years and beyond. While the older generation mentally battle with compromise and restrictions within the context of their pre-eco existence, the younger generation can approach challenges with a fresh attitude and few preconceptions.

Professionally conducted independent research

Gyro International commisioned CCB *fast*.MAP, a specialist independent global research company that has perfected the use of 'invitation-only' online surveys, to undertake the research on our behalf. CCB *fast*.MAP uses an external team of expert senior marketers to gather the data, all of whom have real-world experience of working on major consumer brands. The result is accurate research that delivers incisive market insights.

Survey methodology

The survey was deployed through Gyro's online panel tool >ENGAGE (see box) to 1,866 consumers, and 150 Marketing Directors across the UK, US and mainland Europe. Both panel groups were asked a total of 15 questions on a range of topics surrounding attitudes to green marketing issues.

Both surveys contained the same questions, but while consumers were asked to express their own views, the marketers were asked to use their experience and judgement to predict how the consumers would respond to each of the questions. This allowed us to make a comparison and to generate a GAP analysis, highlighting the differences of opinion between the perceived view of marketers and the actual opinions of the general public.

Why online research?

As a research medium the Internet is incredibly effective and brings many benefits over traditional research. Using online research enabled us to reach out to thousands of adults and tap into their opinions within a short timeframe. The data gathered was fresh, timely and devoid of any influence from intermediaries. (An anonymous, online survey is more likely to achieve honest answers from people.) What's more, data can be collected within hours and not days as with traditional panel research methods. Traditional telephone or paper-based survey methods would have taken longer to perform and would not have achieved such an instantaneous set of results.

An invaluable tool

Gyro International views this research as a tool to help marketers gain a greater understanding of opinion surrounding green issues. We have deliberately held back in commenting on green issues or creating a manifesto for change. Instead, we have presented insights and where applicable, suggested reasons why, in our opinion, the results are as they are.

>ENGAGE

Gyro's >ENGAGE tool assists marketers with a cost-effective way of testing propositions, messaging and creative concepts with different consumer and business audiences through the use of carefully chosen research panels. Timescales for this type of research can typically run into weeks; >ENGAGE delivers comparable results within hours.

Has the recent instability in local and global financial markets affected the results of the survey?

The context in which the survey was conducted must be considered as both consumer and industry opinions would most definitely have been influenced by recent events.

Green issues may have taken a back seat as a result of the response to the financial turmoil within the banking sector and the global economy as a whole.

Conversely, the effects of the current economic crisis will place increasing importance on green issues such as energy conservation, raw material wastage and the pursuit of more economical methods of production.

How do green issues rank as an everyday issue?

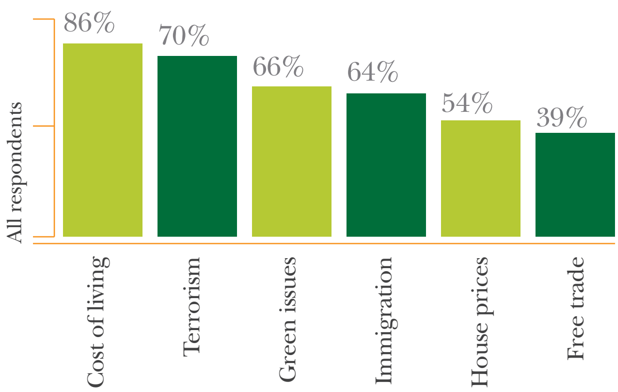
The sheer amount of media coverage on the environment would suggest that the subject is at the top of most people's agenda. But is this really the case? Is the interest genuine or driven by the media? Is the tail wagging the dog?

Survey participants were asked to rate the importance of green issues against other pressing issues of the day. According to the survey, consumers ranked green issues third (66%) in the list of six key consumer concerns.

Taking number one position was the cost of living (86%), followed by terrorism at 70%, then third at 66% came green issues, immigration at 64% then house prices at 54% and finally free trade at 39%.

It is our opinion that this ranking would have been higher had the survey not been undertaken against a backdrop of the recent banking crisis and financial markets turbulence which caused a subsequent public focus on budgeting.

How concerned are you about the following issues?



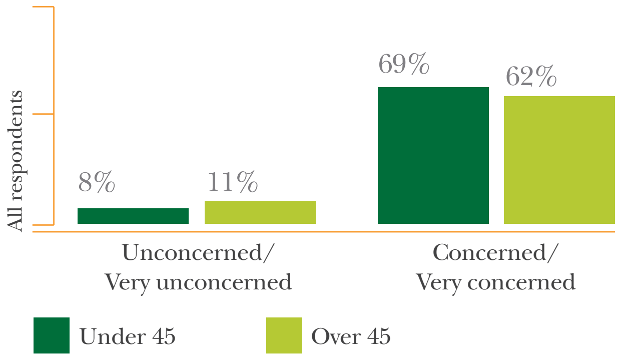
European customers ranked greener

Consumers in Europe ranked green issues higher than their UK counterparts, with 74% indicating a concern. This raised green issues to second place, pipped only by 'Cost of Living'.

Generation gap

The survey revealed that there is a difference of opinion between older and younger people over green issues. On the whole, the younger generation are slightly more concerned with 69% of under 45 year olds indicating concern and 8 per cent indicating no concern (compared with 11% and 62% respectively of over 45 year olds).

Table 2



With the importance of green issues seemingly confirmed, the next question for marketers is: do green credentials really influence customer purchasing of products, services or even brands?

The key result here is that two-thirds of consumers are concerned about green issues. The next section of this report reveals the findings of our survey particularly in regard to the influence green issues have on purchasing decisions today and their possible influence in the future.

Not everyone cares

Across all socio-economic groups – from the poor to the super rich – a substantial proportion of the general population do not share environmental concerns and green issues do not influence their purchasing decisions.

Of our consumer panel, 48% admitted that green issues did not influence their purchasing decisions in any way.

> 85% of marketing directors thought that the percentage of consumers influenced by green issues would be less

Consumers are influenced by green issues

Over half of consumers agreed with the statement above: 53% of the consumer panel said that their purchasing decisions were influenced by green considerations.

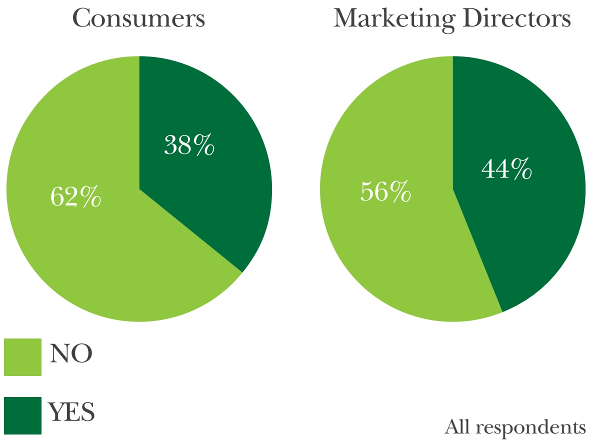
Yet 85% of marketing directors thought that the percentage of consumers influenced by green issues would be less than 50%, and 61% believed less than 30%. This would indicate that marketers are massively underestimating people's awareness of green issues and the impact this has on purchasing decisions.

There is also a considerable difference in attitude between UK consumers and their mainland European counterparts. When asked how often green issues influenced their purchasing decisions in general, 48% of global consumers here answered frequently/all the time. This number increased in mainland Europe to 64%. Consumers in the Netherlands were found to be the least influenced with only 36% stating that their purchasing decisions were influenced frequently/all the time.

Not all consumers are willing to pay a premium for green goods

Marketing directors thought that two in five people (44%) would be willing to pay a premium for green products and services. This is a little higher than the results from the consumer panel which indicated that 38% of respondents would be willing to pay more.

Are you willing to pay a premium for environmentally friendly products and services?

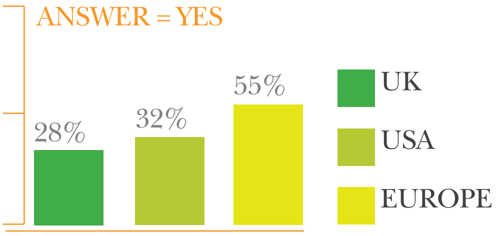


All respondents

Interestingly nearly two-thirds of UK consumers questioned would not be prepared to pay a premium for green goods.

Compared with the US (32%) and United Kingdom (28%), consumers in Europe (55%) are more likely to accept paying a premium for environmentally friendly products and services, with Spanish consumers being the most likely to cough up the extra Euros (63%) and UK consumers the least likely (28%).

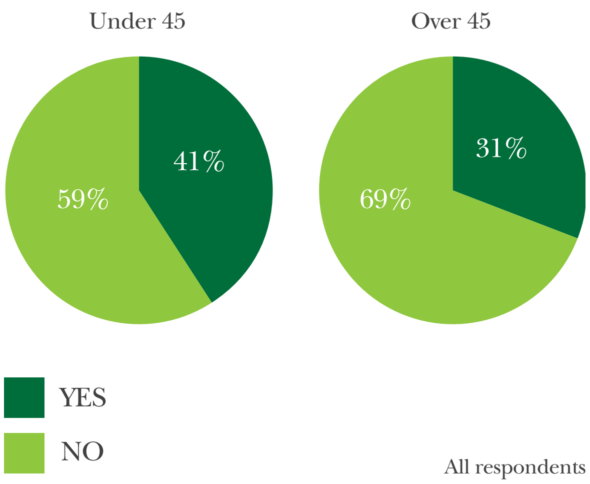
Are you prepared to pay a premium for environmentally friendly products/services?



Younger consumers are more likely to pay more

Our survey shows that younger members of our consumer panel are more likely to accept paying a premium for environmentally friendly products (41%) than older respondents (31%). This indicates a substantial generational difference in attitude to the value of environmentally friendly products.

Are you prepared to pay a premium for environmentally friendly products/services? .vs. Q2: What is your age?



Are there differences in how purchasing decisions are affected by green issues within specific sectors?

There is an interesting trend evident when splitting the influence green issues have on purchasing decisions by sector. Over half of food and groceries decisions (54%) are influenced by green issues, whereas only 26% of travel or holiday decisions are affected.

This would suggest that attitudes to green issues depend on what consumers are purchasing, how visible the purchase is to other consumers (more on this later) and whether there are viable green alternatives readily available.

An example of how attitudes can change across sectors is the annual holiday. Consumers continue their love affair with overseas holidays and view this as the one area where green issues take a back seat. This is despite the obvious harm jetting around the globe has on the environment.

In stark comparison, decisions involving everyday consumables – food, power and fuel for heat – are more sensitive to green issues as these are regular, conspicuous purchases. It is also worth mentioning that recent price hikes in utility bills and food prices may have influenced consumers within these sectors more than any increase in environmental concerns.

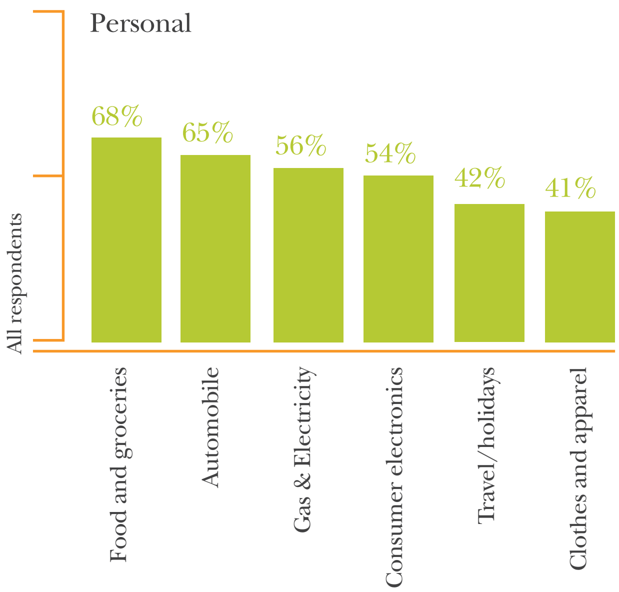
There is a clear disparity across all sectors in the influence marketing directors believed green issues have on purchasing decisions. For example, 73% of marketers thought less than half of consumers would be influenced in their food and groceries purchasing decisions. The actual number of consumers influenced was found to be 54% of the consumer panel.

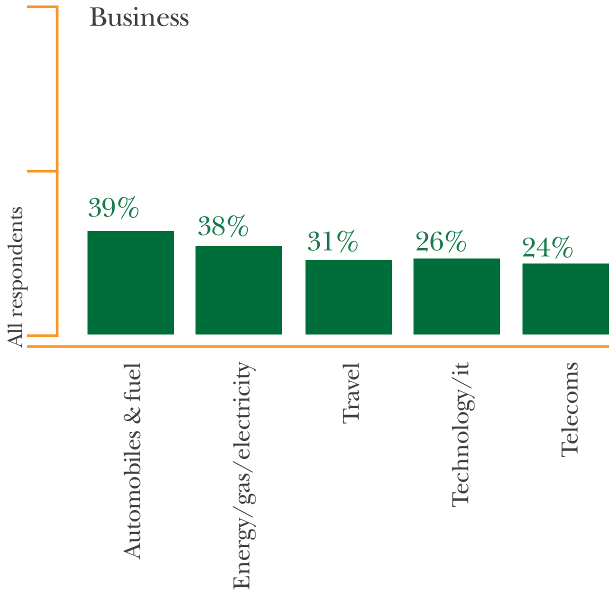
Are people more likely to pay a premium when purchasing a green product for themselves or at the workplace?

Is there a difference between a business purchase and an individual's purchase when it comes to paying a premium for green credentials? In a word, yes.

We asked about both personal and business behaviour. The survey uncovered a wide difference in what people are willing to pay for environmentally friendly products on a personal and commercial basis. On a personal level, over two-thirds (68%) of the consumer panel would be willing to pay a premium on food and groceries. The highest percentage recorded for business purchases was for automobiles and fuel at 37%.

Which environmentally friendly products/services would you be prepared to pay a premium for?





Consumers are more inclined to pay a premium for environmentally friendly products and services than businesses. This would support the claim that business purchases are less affected by green issues compared with personal ones. The willingness to pay a premium for business related purchases falls away considerably, even across shared sectors. For example, only 31% would pay a premium for business travel compared with 42% for travelling for leisure.

This may be as a result of a general acceptance that profit comes before environmental considerations and that the onus for change falls with the individual and not commerce.

The rise of the conspicuous green consumer

In the same way that the conspicuous consumer purchases products and brands to demonstrate wealth and status, the environmentally aware consumer purchases products and brands that conspicuously demonstrate green virtues.

> Marketers underestimate the importance of R&D to consumers

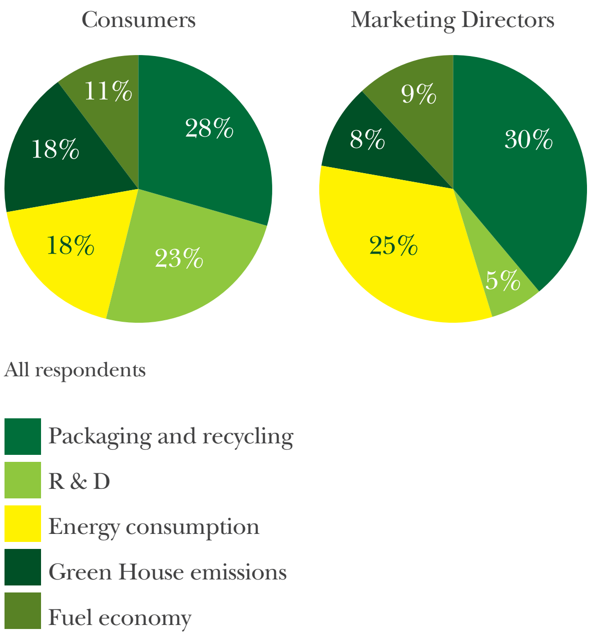
What issues do people want businesses to tackle?

According to 28% of our panel, the most green issue people would like businesses to tackle is packaging and recycling.

Next on the list and with support from nearly a quarter of our consumer panel (23%) is Research & Development, then Energy consumption, and green house emissions at 18% then finally fuel economy at 11%.

These results were mirrored by our marketing director panel fairly well although a considerable gap was identified between what marketers thought the importance of R&D to consumers would be and the actual feelings of consumers (23% against 5% for marketers). This would suggest an underestimation of the importance of investment in innovation by companies.

With regards to the behaviour of companies and their products/services. Which particular Green Issue do you think is the most important?



Birth of the eco-iconic product

The rise of conspicuous green consumption has helped create a new class of 'eco-iconic' purchase: eco-friendly goods and services that sport bold, iconic markers and design and that help their eco-conscious owners show off their eco-credentials to peers.

This social trend also explains why consumers favour supporting environmental policies and actions that are conspicuous and that produce tangible results quickly. So, for example, more emphasis is placed on recycling waste (visible) than conserving fuel (invisible), and yet the latter issue is environmentally and more advantageous than the former.

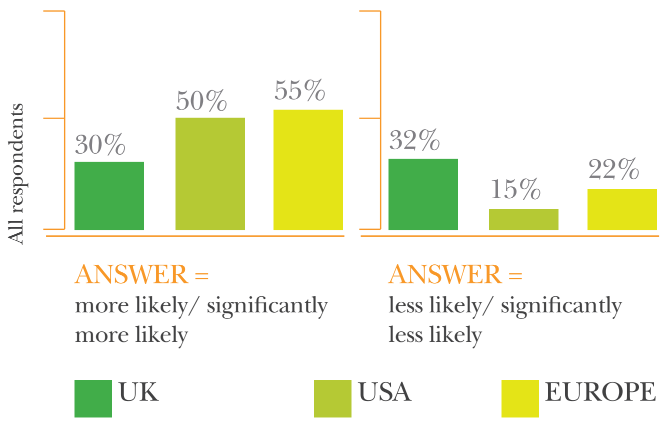
What effect is the current economic climate having on purchasing behaviour?

Out of the respondents who would pay a premium for green goods, only 25% said they would be less willing to pay a premium considering the current economic climate. This would suggest that the effects of the recent upheaval in global and local financial markets has not necessarily caused people to completely re-evaluate their attitude to environmental issues in the long term.

The US is least likely to cut back on green goods as a result of the deepening recession with just 15% saying they would be less likely to pay a premium for environmentally friendly products.

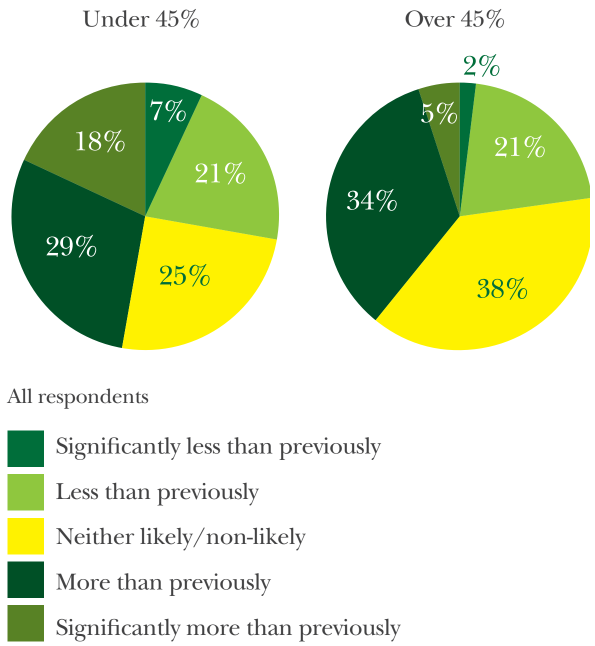
Europe came through as being fairly robust with 55% of European respondents saying they are more likely to pay a premium; consumers in Spain (79%) came through as being more likely to purchase expensive green goods in spite of the current economic climate. Ireland (36%), on the other hand, is most likely to cut back on green goods should recession continue to bite.

Q: **How likely are you to pay a premium for environmentally friendly products/services given the current economic climate?**



According to the survey results, the under 45s are less likely to pay a premium (28%) in the current economic climate than the over 45s (23%). This may be due to this age group being affected financially by the downturn, with a reduction in disposable income available, compared to the older generation.

How likely are you to pay a premium for environmentally friendly products/services given the current economic climate? .vs. Q2: What is your age?



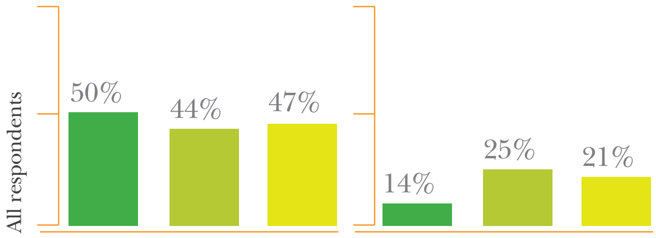
Do consumers trust marketers' claims?

Nearly half of our consumer panel (48%) do not trust marketers' claims and 13% of those are 'very untrusting'.

Shouldn't these statistics concern every marketing manager in the land? The answer has to be a resounding yes, although the problem probably has something to do with the vast majority of marketers not even being aware of the break down in trust in the first place.

Even though $^1/_5$th (19%) of marketing directors came close to guessing this figure, 78% think that more than $^1/_5$th of consumers are trusting of their claims. These findings should concern marketers as gaining trust with consumers is vital to creating loyalty and maintaining lasting market share.

Q: How trusting are you of companies' claims that their products/practices are environmentally responsible?



ANSWER = very untrusting/ slightly untrusting

ANSWER = very trusting/ slightly trusting

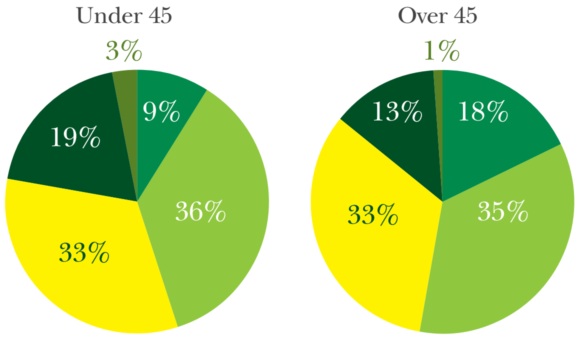
UK USA EUROPE

On a global outlook, Spain is the least trusting country with 64% of people saying they did not trust companies' claims. This compared with, in order of least trusting, Ireland at 56%, the UK at 50%, the Netherlands at 45%, the US at 44%, followed closely at 43% by France and completing the table in last position were the trusting Swedes at 34%.

1Compliance Report: Environmental claims survey 2008. ASA.

The older generation are generally less trusting – 53% of over 45s said they did not trust marketers' claims compared with 45% of under 45s. This sentiment was reinforced with figures for those who were trusting of companies' claims (14% and 22% respectively).

Q: How trusting are you of companies' claims that their products/practices are environmentally responsible? .vs. Q2: What is your age?



All respondents

- Very untrusting
- Slightly untrusting
- Neither trusting/untrusting
- Slightly trusting
- Very trusting

There is, however, an anomaly here. In a recent report by the UK's Advertising Standards Authority (ASA), the majority (94%) of 'green' claims made in adverts were found to be justified and accurate (i.e. complying with the ASA's CAP code).

So if the claims hold up, why the disconnect? It's probably best to answer that one on the next survey.

How will consumers embrace change in the future?

In a word: rapidly. Our survey asked recipients which activities they would be doing within the next 24 months, from recycling more to taking fewer holidays abroad. Across the board, consumers believed that over the next two years they would be doing more for the environment and that their lives would be impacted to a greater extent.

Marketing Directors, on the other hand, had completely underestimated this feeling among consumers, with the majority consistently falling short of the mark. This is highlighted by the fact that 84% of marketing directors thought that less than 50% of consumers panelled were influenced by green issues when making a purchase. This would suggest that marketers must reappraise their strategies on a regular basis in order to keep pace with consumer trends.

The real question for marketers is not how quickly consumers will embrace change, but at what point should a brand, product or service intensify its green credentials in response to public feeling? Too soon and there is a risk of wasting valuable resource on the up-curve. Too late and the possibility of missing the peak altogether – thereby losing impact, sales and market share – comes into play.

In the next 2 years: consumers will		Marketing Directors
Recycle more	84%	88% thought less than 80%
Cut back on gas and electricity	76%	84% thought less than 70%
Buy more local produce	69%	83% thought less than 60%
Purchase a car with lower emissions and fuel consumption	54%	51% thought less than 50%
Drive less	48%	68% thought less than 40%
Buy from environmentally friendly retailers	47%	83% thought less than 40%
Holiday closer to home	40%	66% thought less than 30%
Fly less - leisure	39%	53% thought less than 30%
Fly less - business	37%	53% thought more than 40%
Give to Green Charities	22%	77% thought less than 20%

Conclusion

What this report highlights is the gap between marketing professionals' presumptions and the actual values and opinions held by consumers surrounding green issues.

Perhaps the most marked disparity is between the massive impact consumers believe green issues will have on their lifestyles in the short term, compared to what marketing directors think *(see the table on the previous page)*.

Another issue where there is difference in opinion is the overall influence green issues have on purchasing decisions. The majority (73%) of marketing directors believe that less than half of consumers were influenced. The actual figure was 53% with the trend set to increase significantly, born out by the increasing influence consumers say green issues will have on their lives in the next two years. Why are so many marketers off the mark?

A point of agreement between marketing professionals and consumers is that environmental issues will continue to play a dominant role in purchasing decisions and, therefore, the future marketing of products and services.

The most important findings were those centred around the opinions of younger people; the next generation whose opinions will shape the trends and policies of tomorrow. The survey found that there was greater concern with the under 45s (69%) compared to the over 45s (62%). Marketers targeting a younger demographic should take note.

A telling fact is that 47% of consumers admitted that green issues did not influence their purchasing decisions. Although, looking at this another way, 53% of people are influenced and this number is on the increase.

It should not go without mention that this survey was conducted during a time of massive financial turbulence caused by the near collapse of the UK and US banking systems and followed by what may turn out to be a global downturn.

The survey represents a snapshot of consumer opinion during the UK Credit Crisis. During a less financially troubled time we believe environmental issues will be even higher on people's agendas. The benefit of online research is it is both affordable and practical to track people's constantly-changing behaviour, so that marketers can react to it speedily and avoid being caught unawares.

We hope you have found this report helpful, if not enlightening. This report is one of a series commissioned under the Gyro Thinking initiative which has been developed to help directors of leading companies make more informed decisions based on accurate and timely market insight and for marketing managers to better understand their customers.

Want to know
more about what your
consumers think of your
environmental efforts?
You could be in for a shock.

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